

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

	UNAUDITED AS AT 30-Sep-13 RM'000	AUDITED AS AT 31-Dec-12 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	81,314	84,524
Intangible assets	11,062	11,062
Trade and other receivables	1,358	1,419
	<u>93,734</u>	<u>97,005</u>
Current assets		
Inventories	9,596	9,039
Trade and other receivables	6,979	7,716
Current tax assets	5	18
Cash and cash equivalents	1,133	750
	<u>17,713</u>	<u>17,523</u>
TOTAL ASSETS	<u>111,447</u>	<u>114,528</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	46,445	46,444
Share premium	3,475	3,472
Other reserves	(33)	5,939
Accumulated losses	B13 (37,601)	(40,499)
TOTAL EQUITY	<u>12,286</u>	<u>15,356</u>
LIABILITIES		
Non-current liabilities		
Trade and other payables	B8 37,774	38,996
Long term borrowings	B8 24,620	25,644
Deferred tax liabilities	6,551	6,770
	<u>68,945</u>	<u>71,410</u>
Current liabilities		
Trade and other payables	16,503	13,917
Derivative liabilities	15	23
Short term borrowings	B8 13,686	13,810
Current tax liabilities	12	12
	<u>30,216</u>	<u>27,762</u>
TOTAL LIABILITIES	<u>99,161</u>	<u>99,172</u>
TOTAL EQUITY AND LIABILITIES	<u>111,447</u>	<u>114,528</u>
Net Assets Per Share (RM)	0.0265	0.0331

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30-Sep-13 RM'000	Preceding Year Corresponding Quarter 30-Sep-12 RM'000	Current Year To date 30-Sep-13 RM'000	Preceding Year Corresponding Period 30-Sep-12 RM'000
Revenue		12,454	12,445	38,797	40,423
Cost of sales		(13,863)	(12,895)	(41,242)	(44,436)
Gross loss		<u>(1,409)</u>	<u>(450)</u>	<u>(2,445)</u>	<u>(4,013)</u>
Other operating income		2,712	411	5,315	936
Marketing expenses		(371)	(450)	(1,128)	(1,328)
Administrative expenses		(846)	(431)	(2,658)	(3,071)
Other operating expenses		(141)	(136)	(231)	(359)
Finance costs		<u>(512)</u>	<u>(725)</u>	<u>(2,154)</u>	<u>(2,092)</u>
Loss before tax		(567)	(1,781)	(3,301)	(9,927)
Taxation	B5	73	73	219	219
Loss for the period		<u><u>(494)</u></u>	<u><u>(1,708)</u></u>	<u><u>(3,082)</u></u>	<u><u>(9,708)</u></u>
Loss attributable to :					
Owners of the parent		(494)	(1,708)	(3,082)	(9,708)
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u><u>(494)</u></u>	<u><u>(1,708)</u></u>	<u><u>(3,082)</u></u>	<u><u>(9,708)</u></u>
Loss per share	B12				
Basic (sen)		<u><u>(0.11)</u></u>	<u><u>(0.38)</u></u>	<u><u>(0.66)</u></u>	<u><u>(2.15)</u></u>
Diluted (sen)		<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

	Note	Individual Quarter		Cumulative Quarter	
		Current Year	Preceding	Current Year	Preceding
		Quarter	Year	Todate	Year
		30-Sep-13	Corresponding	30-Sep-13	Corresponding
		Quarter	Quarter	Period	Period
		30-Sep-12	30-Sep-12	30-Sep-12	30-Sep-12
		RM'000	RM'000	RM'000	RM'000
Loss for the period		(494)	(1,708)	(3,082)	(9,708)
Other comprehensive income/(loss):					
Foreign currency translations		8	(1)	8	6
Total comprehensive loss for the period	B6	<u>(486)</u>	<u>(1,709)</u>	<u>(3,074)</u>	<u>(9,702)</u>
Total comprehensive loss attributable to :					
Owners of the parent		(486)	(1,709)	(3,074)	(9,702)
Non-controlling interests		-	-	-	-
		<u>(486)</u>	<u>(1,709)</u>	<u>(3,074)</u>	<u>(9,702)</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

	← Non-distributable →			Accumulated losses RM'000	Total equity RM'000
	Share capital RM'000	Capital reserve RM'000	Other reserves RM'000		
<u>For the 9 months ended 30 September 2013</u>					
Balance as at 1 January 2013	46,444	3,472	5,939	(40,499)	15,356
Loss for the period	-	-	-	(3,082)	(3,082)
Foreign currency translations	-	-	8	-	8
Total comprehensive loss for the period	-	-	8	(3,082)	(3,074)
Transactions with owners					
Exercise of warrants	1	3	0	0	4
Reclassification of warrants reserve to retained earnings	-	-	(5,980)	5,980	-
Total transactions with owners	1	3	(5,980)	5,980	4
Balance as at 30 September 2013	46,445	3,475	(33)	(37,601)	12,286
<u>For the 9 months ended 30 September 2012</u>					
Balance as at 1 January 2012					
- as previously stated	44,844	-	28,378	(51,140)	22,082
- effects of the adoption of MFRSs	-	-	(20,732)	20,885	153
Balance as at 1 January 2012, as restated	44,844	-	7,646	(30,255)	22,235
Loss for the period	-	-	-	(9,708)	(9,708)
Foreign currency translations	-	-	6	-	6
Total comprehensive loss for the period	-	-	6	(9,708)	(9,702)
Transactions with owners					
Exercise of warrants	500	1,085	(535)	-	1,050
Total transactions with owners	500	1,085	(535)	-	1,050
Balance as at 30 September 2012, as restated	45,344	1,085	7,117	(39,963)	13,583

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

WAWASAN TKH HOLDINGS BERHAD (540218-A)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

	9 months ended 30-Sep-13 RM'000	9 months ended 30-Sep-12 RM'000
Cash flows from operating activities		
Loss before tax	(3,301)	(9,927)
Adjustments for:		
Non-cash items	2,630	6,096
Finance costs	2,154	2,092
Interest income	(14)	(14)
Operating profit/(loss) before working capital changes	<u>1,469</u>	<u>(1,753)</u>
Changes in working capital:		
Net change in current assets	123	6,374
Net change in current liabilities	2,466	(6,044)
Cash generated from operations	<u>4,058</u>	<u>(1,423)</u>
Interest paid	(306)	(284)
Tax paid	(1)	(5)
Tax refunded	14	905
Net cash generated from/(used in) operating activities	<u><u>3,765</u></u>	<u><u>(807)</u></u>
Cash flows from investing activities		
Advances from a related party	1,977	3,612
Interest received	14	14
Purchase of property, plant and equipment	(2,787)	(2,156)
Proceeds from disposal of property, plant and equipment	407	48
Net cash (used in)/generated from investing activities	<u><u>(389)</u></u>	<u><u>1,518</u></u>
Cash flows from financing activities		
Fixed deposits	(14)	(12)
Interest paid	(1,848)	(1,736)
(Repayment)/Drawdown of borrowings	(1,474)	942
Drawdown/(Repayment) of finance lease liabilities	735	(1,528)
Proceeds from exercise of warrants	3	1,050
Net cash used in financing activities	<u><u>(2,598)</u></u>	<u><u>(1,284)</u></u>
Net increase/(decrease) in cash and cash equivalents	778	(573)
Effects of exchange rate changes on cash and cash equivalents	-	5
Cash and cash equivalents at beginning of the period	(3,392)	(1,881)
Cash and cash equivalents at end of the period	<u><u>(2,614)</u></u>	<u><u>(2,449)</u></u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Deposits placed with licensed banks	558	541
Cash and bank balances	575	679
Bank overdrafts (included in short term borrowings in Note B8)	(3,189)	(3,128)
less: Deposits pledged with licensed banks	(558)	(541)
	<u><u>(2,614)</u></u>	<u><u>(2,449)</u></u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

PART A: EXPLANATORY NOTES IN COMPLIANCE WITH MFRS 134

A1. Basis of preparation of interim financial report

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards ('MFRS') No. 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2012.

The same accounting policies and methods of computation as disclosed in the audited accounts for the year ended 31 December 2012 have been adopted in the preparation of the third quarter ended 30 September 2013 condensed financial statements except for adoption of the following new and revised MFRS, IC Interpretations and Amendments to MFRS and IC Interpretations which are effective for financial periods beginning on or after 1 January 2013 :-

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (revised)
- MFRS 127 Separate Financial Statements
- MFRS 128 Investment in Associates and Joint Ventures
- Amendments to MFRS 1 Government Loans
- Amendments to MFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities
- Amendments to MRFS 10 Consolidated Financial Statements
- Amendments to MFRS 11 Joint Arrangements
- Amendments to MFRS 12 Disclosure of Interest in Other Entities
- Amendments to MRFS 101 Presentation of Items of Other Comprehensive Income
- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRSs Annual Improvements 2009 – 2011 Cycle
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Mandatory Effective date of MFRS 9 and Transition Disclosures MFRS 9 Financial Instruments

A2. Audit report

The audited financial statements for the Group and the Company for the financial year ended 31 December 2012 were not subject to any qualification.

A3. Seasonal and cyclical factors

The businesses of the Group are affected by both seasonal and cyclical factors.

A4. Unusual and extraordinary items

There were no unusual items affecting the assets, liabilities, equity, net income or cash for the current year third quarter and financial period ended 30 September 2013.

A5. Changes in estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial period or prior financial year that have a material effect on the current interim period.

A6. Issuance and repayment of debt and equity securities

There were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the third quarter ended 30 September 2013.

A7. Dividends paid

There was no dividend paid during the current year third quarter and financial period ended 30 September 2013.

A8. Operating Segments

9 months ended/Year-to-date ended 30 September 2013	Investment holding RM'000	Manufacturing disposable foodwares RM'000	Mining RM'000	Total RM'000
Total revenue	281	31,985	6,812	39,078
Inter-segment revenue	(281)	-	-	(281)
Revenue from external customers	-	31,985	6,812	38,797
Segment profit/(loss) before tax	2,916	(4,756)	(1,461)	(3,301)

9 months ended/Year-to-date ended 30 September 2012	Investment holding RM'000	Manufacturing disposable foodwares RM'000	Mining RM'000	Total RM'000
Total revenue	281	30,829	9,594	40,704
Inter-segment revenue	(281)	-	-	(281)
Revenue from external customers	-	30,829	9,594	40,423
Segment loss before tax	(600)	(7,968)	(1,359)	(9,927)

Total assets				
As at 30 September 2013	42	85,550	25,850	111,442
As at 31 December 2012	41	89,816	24,653	114,510

Reportable segments' assets are reconciled to total assets as follows:

	As at 30 September 2013 RM'000	Audited as at 31 December 2012 RM'000
Total assets per reportable segments	111,442	114,510
Tax recoverable	5	18
Total assets per statement of financial position	111,447	114,528

A9. Valuation of property, plant and equipment

This is not applicable as the Group did not revalue its property, plant and equipment for the current year third quarter ended 30 September 2013.

A10. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the quarter and up to 24 October 2013.

A11. Changes in composition of the Group

There were no changes in the composition of the Group for the current year third quarter and financial period ended 30 September 2013.

A12. Contingent liabilities

Contingent liabilities of the Company as at 24 October 2013 include the following:-

	RM'000
Corporate guarantees for credit facilities of subsidiaries	39,310

A13. Commitments

There were no major capital commitments as at 30 September 2013. -

A14. Related party transactions

Significant related party transactions entered into by the Group during the financial period are as follows:

	9 months ended/ Year-to-date ended 30/9/2013 RM'000	9 months ended/ Year-to-date ended 30/9/2012 RM'000
Insurance brokerage commission	65	78
Flight tickets paid or payable	31	48

The above transactions were with Clear Expertise Sdn. Bhd. and PST Travel Services Sdn. Bhd. respectively i.e. companies in which certain Directors of the Company have substantial financial interests.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1. Review of performance

Group

The Group registered a lower pretax loss of RM0.567 million for the current year third quarter compared to pretax loss of RM1.781 million in the preceding year corresponding quarter, with marginally higher revenue at RM12.454 million (by 0.1%) in the current year third quarter compared to RM12.445 million in the third quarter last year.

Disposable Foodwares Manufacturing

Disposable foodwares manufacturing division recorded higher sales of RM10.564 million (by 16%) compared to RM9.144 million in the third quarter last year. Pretax loss of RM1.354 million was recorded in the current year third quarter compared to the RM1.910 million pretax loss of the preceding year corresponding third quarter. Market demand generally remains robust amid the ongoing global economic uncertainty. The continuous effort in cost rationalization exercise resulted in lower operating cost and higher productivity for the business in the current year third quarter.

Kaolin Mining

The kaolin mining business recorded lower sales of RM1.890 million (by 43%) compared to RM3.301 million in the preceding year corresponding third quarter, with higher pretax loss of RM0.869 million in the current year third quarter compared to pretax loss of RM0.110 million in the third quarter last year. The poorer results were mainly attributable to some temporary disruptions in the production activities attributable to unexpected breakdown of production equipments.

Holding Company

The investment holding company recorded pretax profit of RM1.656 million in the current year third quarter compared to pretax profit of RM0.239 million in the preceding year corresponding third quarter mainly due to a waiver by Wawasan TKH Sdn. Bhd., a major shareholder of the Company, of the principal amount due by RM1.737 million and interest of RM0.263 million in the current year third quarter.

B2. Variation of results against preceding quarter

Group

The Group registered revenue of RM12.454 million and pretax loss of RM0.567 million for the current year third quarter compared to the revenue of RM13.069 million and pretax loss of RM0.988 million in the preceding quarter.

Disposable Foodwares Manufacturing

The disposable foodwares business generated lower sales of RM10.564 million (by 1%) in the current year third quarter compared to RM10.682 million in the preceding quarter, with pretax loss of RM1.354 million in the current year third quarter compared to a pretax loss of RM2.002 million in the preceding quarter. The improvement in pretax loss was mainly attributable to continuous cost rationalization exercise.

Kaolin Mining

On the other hand, the kaolin mining business recorded lower sales of RM1.890 million (by 21%) and a higher pretax loss of RM 0.869 million, compared to the sales of RM2.387 million and pretax loss at RM0.383 million in the preceding quarter. The lower sales and higher pretax loss are attributable to temporary disruptions of production activities arising from unexpected breakdowns of production equipments. Subsequent upgrade of its production facilities and sustained cost rationalization exercise are expected to enhance its operation and productivity.

Holding Company

The investment holding company recorded pretax profit of RM1.656 million compared to pretax profit of RM1.397 million in the preceding quarter due to a waiver by Wawasan TKH Sdn. Bhd., a major shareholder of the Company, of the principal amount due by RM1.737 million and interest of RM0.263 million in the current year third quarter compared to RM1.5 million of principal amount waived in the preceding quarter.

B3. Current year prospects

The Group expects the uncertainties of the global economic environment and rising raw materials prices and energy costs to adversely affect the future performance of the business. Notwithstanding the above, the Group will continue to take the necessary prudent measures to improve the productivity and operation efficiency as well as strategic marketing efforts to increase its market share and product margin.

B4. Variance of actual and forecast profit

This is not applicable as there is no profit forecast or guarantee issued.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/9/2013 RM`000	Preceding year corresponding quarter ended 30/9/2012 RM`000	Current year-to- date ended 30/9/2013 RM`000	Preceding year corresponding period ended 30/9/2012 RM`000
Current Tax	-	-	-	-
Deferred tax	(73)	(73)	(219)	(219)
	(73)	(73)	(219)	(219)

B6. Total comprehensive loss

Included in the total comprehensive loss for the current year third quarter and preceding year corresponding quarter are the following items:

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/9/2013 RM'000	Preceding year corresponding quarter 30/9/2012 RM'000	Current year to date 30/9/2013 RM'000	Preceding year corresponding period 30/9/2012 RM'000
Other income including				
- gain on derivatives	(53)	(46)	(8)	(41)
- interest income	(3)	(6)	(14)	(14)
- net foreign exchange gain	(322)	(168)	(540)	(548)
- waiver of debts	(1,737)	-	(3,237)	-
- Others	(597)	(196)	(1,516)	(333)
Depreciation of property, plant and equipment	1,695	2,012	5,952	6,089
Impairment losses on:				
- receivables	30	30	90	90
Interest expense	512	725	2,154	2,092
Inventories written down	15	15	45	45

Other than the above items which have been included in the total comprehensive loss, there were no write off of receivables, gain/loss on disposal of quoted or unquoted investments, impairment of assets and exceptional items for the current quarter and period ended 30 September 2013.

B7. Status of corporate proposals

There is no corporate proposal announced which is pending completion as at 24 October 2013.

B8. Group borrowings

The Group's borrowings as at 30 September 2013 are as follows:

Short –term borrowings:-	RM'000	RM'000
Unsecured		4,139
Secured		9,547
	(a)	<u>13,686</u>
Long term borrowings :		
Secured		24,620
Total Borrowings		<u>38,306</u>
<u>Payables and accruals</u>		
Amount due to substantial shareholder, Wawasan TKH Sdn Bhd	(b)	
- current	20	
- non-current	37,774	37,794
Total Group's borrowings		<u>76,100</u>

(a) Included in the short term borrowings are bank overdrafts outstanding at RM2.872 million which are secured.

(b) The advances from Wawasan TKH Sdn. Bhd. bore interest at 8.10% per annum. Included in the outstanding amount is the accumulated interest charged of RM4.21 million. Except for an advance amounting to RM5.97 million which bears interest, there was no interest charged on the advances of RM27.61 million for the current year third quarter ended 30 September 2013 as Wawasan TKH Sdn. Bhd. had waived the interest thereon.

B9. Derivative financial instruments

(a) As at 30 September 2013, the Group entered into forward currency contracts to hedge trade receivables. The forward currency contracts entered into by the Group are as follows:

Currency	Contract/ Notional Amount (RM'000)	Derivative Assets/ (Liabilities) (RM'000)	Maturing
United States Dollar	<u>1,554</u>	<u>(15)</u>	less than 1 year

Credit risk

There is minimal credit risk as the contracts were entered into with reputable financial institutions.

Cash requirements

The Group will fund the cash requirements of the derivative from its net cash flow from operating activities when the payments fall due.

(b) Fair value changes of derivative instruments

The gains/(losses) arising from fair value changes of derivative instruments for current year third quarter and financial period ended 30 September 2013 are as follows:

Type	Current quarter ended 30/9/2013 (RM'000)	Current year-to-date ended 30/9/2013 (RM'000)	Basis of fair value measurement	Reasons for Gains/(Losses)
Forward currency contracts	53	8	The difference between the contracted rates and the market forward rates.	The exchange rates have moved favorably from the last measurement date.

B10. Changes in material litigation

The Company is not aware of any proceedings against the Company or its subsidiaries that is pending or threatened or of any fact likely to give rise to any proceedings, which might materially and/or adversely affect the position or business of the Company or any of its subsidiaries as at 24 October 2013.

B11. Dividend

No dividend was proposed or declared during the current year third quarter ended 30 September 2013.

B12. Loss per share

The basic loss per ordinary share for the financial period has been calculated based on the consolidated loss after tax divided by the weighted average number of ordinary shares outstanding during the period.

	3 months ended 30 September 2013	Year-to-date ended 30 September 2013
Loss attributable to equity holders (RM'000)	(494)	(3,082)
Weighted average number of ordinary shares in issue ('000)	464,445	464,440
Basic loss per share (sen)	(0.11)	(0.66)

The diluted loss per ordinary share is not presented as the effect of the assumed conversion of warrants outstanding will be anti dilutive and the Company has no other dilutive potential ordinary share in issue as at end of the reporting period.

B13. Realised and unrealised profits/ losses disclosure

The accumulated losses as at the end of the reporting period are analysed as follows:

	As at 30 September 2013 RM'000	As at 31 December 2012 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(48,293)	(51,132)
- Unrealised gain	110	51
	<hr/>	<hr/>
	(48,183)	(51,081)
Less: Consolidation adjustments	10,582	10,582
Total Group accumulated losses as per consolidated accounts	<hr/>	<hr/>
	(37,601)	(40,499)